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Lessons to be drawn from the world financial crisis. Marx, Keynes, or Minsky? Who tells us the real story?

The world of economic thinking has been laid out for a long time. Explaining the instability of the capitalist growth process was usually associated with Marx. Keynes gave new insight into the understanding the contemporary world of economic dynamics. He emphasized the endogenous instability of a capitalist process in the domination of the real sector over the financial sector. 2008, the year of the world financial crisis, was also the year of the resurrection of a theoretician who stood for a long time in the shade of Keynes: Hyman Minsky. His main argument is the growing instability of investment spending. Economic expansion creates financial fragility; new challenges for the stability policy occur: a strong central bank, like the European Central Bank, in monetary policy and fiscal autonomy for “big (European) governments” are necessary. The paper assesses the explanations of the current economic European and world crisis offered by Minsky, Marx, and Keynes. Will Marx give sufficient answers to the financial crisis or do we need insights referring to Keynes and, more precisely, Minsky? Is he the contemporary answer to the actual crisis?

Wnioski ze światowego kryzysu finansowego. Prawda po stronie Marksa, Keynesa, a może Minskiego?

Historia myśli ekonomicznej rozwija się od stuleci. Próby wyjaśnienia kwestii niestabilności kapitalizmu łączy się zazwyczaj z poglądami Marksa. Keynes rzucił nowe światło na współczesną dynamikę gospodarczą. Podkreślił wewnętrzną niestabilność kapitalizmu w dobie dominacji sektora realnego nad finansowym. Światowy kryzys finansowy z 2008 roku okazał się rokiem Hymana Minskiego, który jako ekonomista przez długi czas pozostawał w cieniu Keynesa. Minsky wysunął główny argument o niestabilności wydatków inwestycyjnych. Ekspansja ekonomiczna prowadzi do osłabienia finansowego. Polityka stabilności staje w obliczu nowych wyzwań. Konieczna jest stabilna polityka monetarna silnej instytucji, takiej jak Europejski Bank Centralny, i niezależność fiskalna największych rządów europejskich. Celem niniejszego artykułu jest ocena bieżącego kryzysu ekonomicznego w Europie i na świecie z perspektywy Minskiego, Marksa i Keynesa. Czy znajdziemy satysfakcjonujące odpowiedzi na pytania dotyczące kryzysu finansowego u Marksa? A może należy głębiej przeanalizować Keynesa, a dokładniej – Minskiego? Czy to u niego znajdziemy trafną odpowiedź na pytania dotyczące obecnego kryzysu?

Keywords: central banks and their policies, policy designs, capital and investment, Marx, Keynes, Minsky

JEL classification: B3, E22, E58, E61, F42

1. The search for understanding crises – the era of biographical and thematic caesura

Physics can count itself lucky. The year 1905 was quite miraculous, witnessing the publication of three ground-breaking articles on the origins of the Earth by Albert Einstein. Was there ever such a watershed in the field of economics? Maybe 1883 could qualify as such: this was a year of biographic caesura. The year Karl Marx died was the birth year of John Maynard Keynes and Joseph Schumpeter.

Biographic caesura: yes. Are cognitive insights buried along with the person who developed them, giving rise to the emergence of the new ones? A paraphrase springs to mind: Marx is dead – long live Keynes. Marx's legacy of a historically driven vision of class struggle, eventually leading to the overthrow of bourgeois society, was an inheritance not to be taken up by Keynes und Schumpeter. A caesura or perhaps a watershed in thinking tradition that could be compared with 1905? The cognitive insights in question concern the laws of motion of a capitalist economy. Is there perhaps a continuity, a dynasty of theories committed to understanding the world by unravelling its underlying crisis-prone economic dynamic? Or rather, did the end of Marx's historical vision also mean the end of crises theories as a category? Is it the world of pre-capitalist manufacture and commodity exchange, or the world of anomalies, of prosperity and crisis, of rise and fall? Rather than an equilibrium, disruption is the norm in a capitalist economy shaped by the dialectic of creative and destructive forces. This is what makes it different from the cognitive watershed in physics. Marx, Keynes, and Schumpeter were successive contributors to a thinking tradition that attempted to identify the material basis of the driving forces of societal development. Crises are not a new phenomenon of capitalist dynamics, but an integral part of them. Marx, Keynes, and Minsky gave different insights into the specific character of a crisis in a real and monetary world. But who tells us the story for understanding modern crises in the world of elaborated financial and monetary institutions? Let us take a *tour d'horizon* on the insights given by Marx, Keynes, and Minsky. What are the literary resources that shed light on the forces generating and curing financial crises? We begin our journey through time and books with Marx.

1.1. Marx

Reproduction – accumulation – crisis: as Marx writes in the preface to the first volume of *Capital*, "the ultimate aim of this work is to lay bare the economic law of motion of modern society" [Marx, 1977, p. 15] by describing this chain of relations. Confronting this law with its inherent contradictions, the material relations of production, is to manifest the dynamic of an antagonistic process of social produc-

tion that characterises the bourgeois form of production relations [Marx, 1975, p. 9]. Its crisis-proneness carries over to the social processes of production: human labour is being ever-increasingly replaced by machinery, which consequently leads to an ever-increasing organic composition of capital. The outcome is clear: the law of tendency for the profit rate to fall.

By taking into account the relation between fixed and variable capital, Marx can be regarded as an analyst of the asset side of a prudent balance sheet. The crisis is not caused by the lack of capital, but by its profusion. Hence, rather than simply constituting a flaw in the system, crises are its very essence. The capitalist investor can no longer find sufficiently profitable possibilities for its utilisation – diminishing profit margins are followed by a diminishing absolute size of profit. A downward spiral is set in motion, which in consequence leads to the revision of investment plans, cancelation of orders, and, ultimately, labour lay-offs. Prices begin to fall, accompanied by capital depreciation. Capitalism brings about its own downfall. Capital is both the starting and end point of capitalist production, appearing as its main aim and purpose.

But is that all? Especially in the third volume of *Capital*, Marx turns his attention to the financial sector. Finance plays a pivotal role in the business cycle. In times of upswing, financial intermediaries fuel the boom: in the downturn, the financial sector contributes towards fragility and recession. The real economy and the monetary sector are inextricably interwoven. A mere threat to growth in the real economy can trigger processes in the financial sector that result in a real crisis for the real sector; just as a financial crisis can lead to a general economic crisis when the system, to quote Marx, becomes “oversensitive”. From falling rates of profit it is then but a short step to a “paralysis” of monetary functions. With the changing organic composition of capital in the wake of diminishing returns, real and monetary crises go hand in hand.

1.2. Keynes

Keynes is regarded as an analyst of the dynamic of a monetarised world. Here, the focus of attention shifts to the owners of money and real assets, who have to weigh up expectations of future profits against present-day credit and investment reality. The actors in this scenario are confronted with views of an uncertain future. This no longer entails simple risk assessment based on probabilities: in this case, there exists a fundamental nescience of a future event space.

Such decisions involving the future nurture a contractarian approach to the production economy, which is based on future-oriented money contracts. Money is now considered as an asset, as a link in the chain between the present we know and a future that is both unknown and uncertain. Money, previously neutral, nothing more than a numéraire, loses its innocence. It becomes an object of specu-

lation. It is used to buy the capital goods intended to generate profits in the future. The process of making investment decisions is an outcome of "an extreme precariousness of the basis of knowledge on which our estimates of prospective yield have to be made" [Keynes, 1973, p. 149]. Now it is the financial markets that fall victim to waves of optimism and pessimism, price inflation and debt deflation. The crisis is given a monetary dimension, and its roots are now to be sought in the financial arrangements existing between debtors and creditors. The stage is set for the third member of our group: Minsky.

2. Financial instability in search of personification

The name has been found – but what is the justification for placing him at the side of the famous duo? Answer: his very own original answer to the contemporary questions concerning the economic dynamic rooted in financial crises. He was an outsider, at the boundaries of mainstream economics, and for a long time better known to scholars of Keynesian hermeneutics.

His early occupation with Keynes brought him to a new interpretation of Keynesian doctrine centring on the instability of the investment process. Increased levels of corporate debt serving to finance speculative investment in periods of boom lay the door wide open to a breakdown of expectations. For in times of crisis, financiers revise their assessment of what was formerly considered to be a "normal" debt ratio and adopt a more conservative approach to granting credit, thus laying the groundwork for a financial crisis. It comes to the sale of assets to return the indebtedness structure to within normal boundaries. This reaction can, in turn, lead to writing down asset values. Minsky has his eye especially on the leverage effects of increased borrowing on the part of investment banks. Therefore, it is the monetary sphere that makes him the father of the theory of financial instability. Can he, then, be considered as having advanced the fundamental Marxian notions of real prosperity and real crisis? Or does he rather follow the tradition of Keynes, whose theory is grounded in the uncertainty of economic decisions? In the following we shall first take a closer look at Minsky's theory of financial instability before attempting to answer this question.

3. An overview of Minsky's thesis of financial instability

Minsky's deliberations constitute a monetary-oriented widening of Keynesian theory. Expectations and uncertainties play a pivotal role in private and decentralised investment decisions. Nobody can say with certainty whether today's deci-

sion to invest will prove to be profitable tomorrow. Hence, Keynes' deliberations have their point of departure in the real sector of the economy. Minsky, on the other hand, stresses processes in the world of finance and the consequences of speculation and uncertainties for the real economy. His theory of cycles takes the liabilities side of the corporate balance sheet as its starting point. This, in turn, impacts on the real sector, and thus on the assets side, resulting in crisis scenarios in the financial sector. Neither the timing nor the developments that lead to the emergence of veritable crisis in a prospering economy can be foreseen. The appropriate barometer of the economy is perceived to be Wall Street [Minsky, 1982, p. 102].

The Minsky process is explicitly oriented to the circulation theory of a profit-driven accumulation dynamic of the type expounded by Nicholas Kaldor and Michał Kalecki. In circulation theory, profits are analogous with the investment dynamics [Minsky, 1982, p. 64]. According to Kaldor, enterprises are "the masters of their own destiny" [Kaldor, 1980, p. 250]. Within this context, the economic dynamic leads to higher investment with increasing profits and higher prices of assets, for instance in the form of share prices. This, in turn, is connected with higher costs of investment which subsequently give rise to an increased demand for credit.

Minsky thus adheres to Keynes's central thesis, namely that the rate of investment and corporate demand determine the rate of profit. It is the dialectic between investment decision and profit realization which is perceived to be the inexhaustible source of the dynamic, the biblical widow's cruse, which remains undepleted however much of them may be devoted to riotous living [Keynes, 1971a, p. 125].

It was obviously clear to Keynes, too, as he resolves the dialectic between profits and entrepreneurial expenditure by stating that the fabled widow's cruse can only remain inexhaustible as long as the entrepreneurs behave as a collective, maintaining monetary circulation and flows of goods within their own class. Otherwise, the tables can be turned: if entrepreneurs were to compensate for losses by reducing their demand, i.e. cost cutting, this would transform the widow's pitcher into a Danaide jar – one that can never be filled up [Keynes, 1971a, p. 125]. Crisis takes its course.

Financing investment is counterpart to achieving profits and it takes place in stages. Its dynamic comprises the following types of financing:

- funding investments from own resources. The funding source is internal, i.e. self-financed;
- funding via write-downs and allocations to reserves;
- self-funded external sources, i.e. equity participation or external borrowing;
- exclusively speculative external finance: so-called Ponzi borrowing.

Step by step, secure forms of financing from own resources are replaced by future-oriented contracts on which interest has to be paid, culminating in snow-ball or Ponzi schemes.

The investment process and the way it is financed are no coincidence. Rather, it constitutes a directional process, a pyramidal structure in which the funding of investments entails committing to ever more risk-prone forms of investment finance. As a consequence, the system experiences a regenerative boost. However, it is simply inflating the speculative bubble further, driven by expectations of higher future inflows of cash. It is the “dull compulsion of economic relations” [Marx, 1977, p. 765], the imperative of accumulation in a competitive economy – just as Marx would have it. Now, though, the accumulation process is threatened by its vulnerability to adverse changes in credit conditions, and the prospects for meeting liabilities are uncertain. Once confidence in rising asset values is lost in the wake of excessive external borrowing, the door is wide open for a “cascading fall in asset values”¹. The Minsky Moment has arrived.

4. Manifestation of the crisis: the Minsky Moment and falling profit rates

Once the seed of mistrust takes root in the apparently endless recursive loop of external finance, debt service, and profit expectations, the rest of the story is remarkably predictable. What begins with individual actors not being able to meet their obligations, culminates in a full-blown crisis.

Financing processes bring forth endogenous destabilising forces that lead to debt deflation. They are the “normal result” [Minsky, 1986, p. 218] of the credit relations prevalent at the end of an investment boom.

This endogenous dynamic comes about as result of a parallel thinking on the part of creditors and debtors. It begins with the boom period during which optimistic risk assessment leads to the acceptance of increased credit risk, although logically also to the increased probability of default. In such a situation the smallest hiccup can usher in liquidity problems caused by the cancellation of credit agreements or shortened terms of credit. This makes the finance system fundamentally unstable. Financial fragility becomes a fundamental intrinsic element of the market process [Minsky, 1986, p. 251].

Whereas the end result is predictable, the actual spark that ignites the process is not; namely, the point in time that emerging loss of confidence in positive future returns on investment forces indebted investors to sell assets in order to meet their

¹ See: [SVR, 2008, item 173] on the nature of the financial crisis.

payment obligations. Only one thing is certain: the occurrence of a chain reaction will trigger the Minsky Moment and a financial collapse [Minsky, 2011, p. 44].

The common denominator that triggers the reaction is the belief that investors have become over-indebted. First indications of debt default lead to a reappraisal of risk. This is followed by a tightening of credit: the cancellation of credit lines, shortened periods of credit, higher risk premiums, and an increased preference for liquidity. There are not enough providers of credit, i.e. banks, willing to satisfy the demand for investment projects entailing risk. Risk premiums start to rise, and first defaults lead to expectations of further defaults in future and growing aversion to risk taking. The downward spiral takes its calamitous course. The widow's cruse has become a Danaide jar, i.e. full of holes. Now there is not only a tendency for the profit rate to fall: it has become a fact. The shake-out begins. The event – or series of events – that provide the initial shock to confidence in the viability of investment and higher earnings might be quite trivial. It may be triggered by the mere rumour of a large enterprise experiencing liquidity problem, a listed company issues a profits warning, or analysts lower the rating of a bank. In aggregate, though, such events are enough to seriously shake confidence in a self-strengthening prospering system, causing actors to part with assets and flee into liquidity. The moment of truth has arrived.

Notwithstanding, there is still hope it will be possible to pull out of the nose-dive. When asset prices stop falling, confidence is restored. And it is here that Minsky perceives the stabilising role of central banks and strong government, “Big Government” [Minsky, 1986, p. 332]; namely, to put an end to debt deflation. This is achieved either through a proactive central bank intervention, i.e. by providing refinancing facilities, or an expansive fiscal policy on the part of government. Such moves are directed solely at revitalizing private investment.

Minsky's observations on the endogenous mechanisms inherent to the instability caused by speculative finance are able to shed light on the reality of the 2008 financial crisis. It is generally accepted that leverage effects played a significant role in amplifying the economic cycle leading to the crisis on financial markets [SVR, 2007, item 133; SVR, 2008, item 183]. The low money-market rates introduced by central banks, and the low cost of lending amongst investment banks led to short-term credit being available at extremely favourable conditions. In an up-turn, this presents businesses with the opportunity to leverage up their return on equity by means of increasing the quota of external finance. Leverage effects are positive when the return on total capital is higher than the cost of external finance. The propensity to leverage is on condition that the economic outlook is assessed to be favourable, when lenders as well as borrowers are more disposed to take risks. The prospect of rising asset prices means a higher valuation of balance sheet assets which, in turn, enhances equity and thus the scope for borrowing. By the same

token, the mechanism that adds momentum in an upturn – the availability of external finance – proves to be just as procyclical in the reverse case of a downturn. Then, a fall in the value of assets is accompanied by a more cautious approach to lending: a credit squeeze. Small price decreases taken together with reduced leverage can then lead to a massive pressure to sell assets. The financial crisis is thus manifest.

What was Minsky's take on this? In a nutshell: applying Minsky to the occurrences of the financial crisis means to centre attention on the leverage effects of borrowing of capital. These effects illustrate the risks of the up-and-down dynamics inherent to an endogenously induced financial sector.

5. Big Government and Big Central Bank as *deus ex machina*?

How to deal with a crisis of the financial economy begs the question of how respective roles are distributed between the public and private sectors of the economy. We have already touched on Minsky's view of a "big government". Let us now take a second, more precise look at the relationship between the state and private economy in times of crisis. We start with Marx.

Keynes and Minsky cannot expect to find any deep insights concerning the counter-cyclical role of state intervention in Marx's works. There is no room in Marxian class theory for the state to passively assume the role of neutral mediator, let alone that of a paternal custodian of the *volonté générale*. True to Hegelian tradition, he presumes the bourgeois state to be divorced from society. He makes no fetish of it, though, and does not liken it to a white knight protecting society from the fateful trap of adopting the rationality of microeconomic perspectives as a model for macro- economic action.

Are therefore Marx, Keynes, and Minsky not so far removed from each other when it comes to stressing the specific nature of state intervention, even a summative general public interest manifesting itself behind the backs of private sector stakeholders? If this was the case, then there is yet another good reason for placing all three along the path of development that ends with Minsky, the modern-day Marx.

Keynes's answer to the occurrence of crisis is paternalistic. A breakdown of the private economy calls for an agenda of state action. Ultimately, when complications arise in the private economy, the state should provide cognitive guidance without infringing upon private initiative and the entrepreneurial spirit. In his observations on the "end of *laissez-faire*", Keynes chose not to expound further on this, remarking he was not interested in developing any practical proposals at that stage. Later, in his *General Theory*, though, he was more practical and consequen-

tial: here we read that the state should “take an ever greater responsibility for directly organizing investment” [Keynes, 1973, p. 164]. Politically, this entails a new paradigm of a powerful state, the theme of big government that also recurs through Minsky’s writings.

Because his theory of capitalist instability was based on the instability of private investment expenditure, Keynes made public investment the cornerstone of his full-employment program, run by technical experts without any specific control of elected officials.

Minsky shares the radical Keynesian break with tradition, also calling for direct state intervention in private investment activity. Keynes’s *General Theory* identified two fundamental flaws of the capitalist system: chronic unemployment and excessive inequality. Minsky added a third: instability as a problem of modern-day financial capitalism [Minsky, 1986, p. 315]. The role of the distribution between state and central bank is unambiguous. The state should concentrate on employment strategy and the central bank on interest-rate strategy. Thus, each assumes the role of an individual guarantor: as an employer of last resort and as a lender of last resort [Minsky, 1986, p. 326].

However, what is to happen when, as in the 2008 financial crisis, the state runs into budgetary difficulties and hence a sovereign debt crisis? Quite clearly, it is no longer possible to uphold the strict division between the private economy, where the crisis originates, and the state as crisis healer. The crises in Greece and Cyprus in 2011 and 2013 evoked a sovereign financial crisis that as a consequence entailed the rescue of a hopelessly ailing private-sector banking system, closely enmeshed with the state. The state rescue operations are a product of the bane of a bad act, the liberalization of financial markets that has been taking place since the 1990s. Liberalization and crises: two sides of a coin. Although cursing the evil deed, the state lost its innocence. Coming out of the financial crisis we are thus left with a mesh of relations comprising bank crisis, macroeconomic crisis, as well as a sovereign debt crisis. What begins as a crisis of the banks and the financial sector, becomes a government financial crisis and, subsequently, a crisis of the real economy, when rescuing banks puts a strain on government budgets and a default on government bonds leads to a deterioration of bank balance sheets. Financial policy comes to the rescue, remedying a private causation of disturbances. As the financial crisis has shown, the situation no longer permits a clear distinction between state and private economy. This is illustrated by the very term “sovereign financial crisis”, in which the battle formation of commercial banks and the central bank becomes mixed. The financial crisis highlights the importance of the role of the central bank, the lender of last resort that restores market confidence by virtue of making credit available. Against what ought to be secure collateral, the central bank grants credit that no one else is prepared to underwrite.

Today's unlimited purchase of government bonds, though, translates into an unlimited alimentation of state deficits through the central bank. In effect, this could amount to an exchange of central bank liabilities in the form of money or central bank bonds against the government bonds issued by periphery states. In such an event, central banks in the euro zone would cease to be central banks as such: taken to its logical conclusion they would become state banks, instruments for the monetarization of sovereign debt [Homburg, 2012, pp. 673–677]. Robbed of its innocence, the fiscal state is no longer only party to the solution: it has become party to the problem. Notwithstanding this circumstance, it does not release the state from its responsibility for crisis management. This, though, is precisely what we now see happening: the state is discharging itself from its responsibility. The reluctance of European states to accept fiscal responsibility in the euro crisis, Germany at the fore, is along with lost innocence the second new phenomenon in the hitherto prevailing division of tasks between the private economy and the state. In the hour of need, the state agenda has become a central bank agenda: the refinancing of a stalling accumulation dynamic with parallel structural tasks. Refinancing, to remain in the Keynesian frame, is now less focused on the socialization of investment as on the socialization of finance. Whether or not this leads to either the break-up of investment banks or a European bank union, it undeniably constitutes a fundamental turnaround in the political economy of the crisis. A central bank pressed into taking on the new task of financing state activity, even going so far as purchasing sovereign bonds within the frame of the ECB's Outright Monetary Transactions. What an amazing turn in the dramaturgy of the capitalist crisis dynamic! Who would have thought it possible? Keynes? Unlikely. Minsky? With some certitude. Marx? Not by any stretch of the imagination.

7. Minsky: the modern-day Marx?

Finally, we address the question whether in their quest for the cause of crisis Marx and Keynes became stuck in the traditional cognitive blind alley of the real economy, and whether it is Minsky alone who can take the credit for furnishing a modern-day interpretation derived from the dominance of the finance sector. Minsky is often lauded for having systematically advanced the notion formulated by Marx in the third volume of *Capital*: namely, the role of money and credit in the process of capitalistic accumulation. Marx describes the banks as "main lever of over-production and over-speculation" [Marx, 1976, p. 457]. In Marx's terminology, the actors in the business of leverage are described as "cavaliers of credit" [Marx, 1976, p. 532]. According to Marx, accumulation financed by credit is the same as real accumulation of a dialectical kind. It pushes the "reproduction pro-

cess to its absolute limits"; at the same time, though, it ushers in its downfall. According to Marx [Marx, 1976, p. 457], credit accelerates virulent outbreaks of this contradiction, viz. crises, and hence the elements that bring about downfall of the old mode of production.

The overall process of accumulation simply cannot function without money, without credit, or without finance capital. In the crisis, it becomes the most powerful means and the most efficient vehicle of accumulation. However, in the course of dynamic ups and downs inherent to the system, a finance crisis can also constitute the precursor, "and a turn had already taken place before it broke out" [Marx, 1976, p. 584].

Even though in Marx's work the term is not mentioned explicitly, the constitutive elements of a financial crisis are apparent in the analytical setting – namely, his theory of value, money, capital, and accumulation as well as his reflections on the tendency of the profit rate to fall. Nevertheless, Marx did not proceed beyond the fundamental cognizance that the real economic essence of the crisis is grounded in the "overproduction of capital" [Marx, 1976, p. 261]. It is likewise undeniable that Minsky must take the credit for working out the endogenous forces of a financial crisis from the fundamentals that were first revealed by Marx. For Keynes, it is the speculators who create bubbles on a steady stream of enterprise [Keynes, 1973, p. 159]. Marx's cognitive revelations, merely touched upon in a few of Keynes's theoretical digressions, are finally concretized by Minsky. For Marx, crises are rooted in the assets side of the balance sheet; Minsky takes the liabilities side as his point of departure.

What unifies the trio in our title is their perception of the fragility of economic stability in a capitalist world driven by the prod of competition in the backs of entrepreneurs. Their analytical tools are the inherent contradictions of capitalist accumulation with all its uncertainty and dichotomy of real and monetary worlds.

Classical economic theory took as its starting point the determination of prices derived from the amount of human labour expended on production. It was likewise a dynamic theory used for analysing a flourishing economy consistent with developing markets during capitalist transition. Marx, though, remains loyal to his dialectic. Frequently apostrophized as visionary of a new classless society, he remains much more a theoretician of negative dialectics. His aim is to arrive at a critique of political economy grounded on the historicity of the capitalist mode of production.

Keynes, however, was anything but a mere theoretician of short-term perspectives, whose only concern was to find solutions to pressing contemporary problems – although "in the long run we are all dead" [Keynes, 1971b, p. 65]. Rather, as we read in his conclusion to *The end of laissez-faire*, his aim was by means of strong government action to arrive at a form of "a capitalism, wisely managed,

[which] can probably be made more efficient for attaining economic ends than any alternative system yet in sight" [Keynes, 1972b, p. 294]. This was the state "agenda" that Keynes wanted to bequeath to the political system in order for it to survive. This ultimately entails fulfilling the promise of perpetual progress. His vision of the economic world his grandchildren would inhabit – once with the help of economic wisdom it had become possible to regulate the population problem and determine a rate of accumulation that would close the gap between production and consumption – was that the regime of economic necessity would give way to a regime of economic freedom. This is based on the belief that remedying economic problems can be left to apolitical specialists with no message of salvation, alike to dentistry [Keynes, 1972a, pp. 321–332].

And Minsky? He turns out to be a dedicated administrator of the Keynesian heritage. In the closing passage to his book *Instability and capitalism* [Minsky, 2011, p. 66], we read that politics in a capitalist economy must take into account the limitations and shortcomings of capitalism if it is to be successful. As long as an economy is capitalist, it will prove to be financially instable. For it to be stabilized, an "agenda of political instruments and targets" [Minsky, 2011, p. 136], translating into a strong central bank and proactive intervention on the part of a budget-sovereign state, is needed. What occupied Marx – historically interpreting confrontations between relations of production and their intrinsic production forces [Marx, 1975, p. 9] – was not the province of Keynes or Minsky. Without his historical dialectics, Marx would be incomplete. Keynes and Minsky are spiritually related to Marx in the sense of their shared scepticism concerning the stability of an accumulation process left to its own devices. They remain loyal to the process in that, contrary to Marx, they refrain from developing a historical vision of a new society: rather, they content themselves with appeals for instrumental societal rationality for the common good. This is manifested in the form of an "agenda of government", in the case of Keynes, or "Big Government", in the case of Minsky – or, more up-to-date, "Big Central Bank". This entails enlightened economic and monetary policies. A paternal government and central bank, always on hand to temporarily rectify the aberrations of an unruly tearaway bearing the name of market economy, in full knowledge of the fact that it will never behave and always commit excesses that lead to subsequent debacle: like Sisyphus and his never-ending journey up the mountain.

And what was it that Marx augured and Minsky took up on? Although clues can be found in the works of Marx pointing to the finance sector as a crisis accelerant, nowhere is it referred to as the causal agent. This historical source is too thin for Minsky to have referenced.

There is, though, a lesson that can be learned from Marx – namely, that it is social institutions, here the developed finance sector, that constitute the material

driving forces of society. At the same time, they reveal the inherent contradictions of a financial capitalism that in the course of frenetic computer-based split-second trading is at any time able to reverse decisions by generating constantly changing market signals. That this, though, is unlikely to result in any rational insights into how markets function, but rather can manifest itself in herd-like movements leading to speculation crises, is the lesson to be drawn from a dynamic of which Wall Street is typical. This is what Minsky augured, and this has become the fate of a modern-day financial capitalism. It has become the task of the contemporary state to constantly intervene and control its excesses.

Minsky – the modern-day Marx? When modernity can be measured by loss of historicity because modern times are blatantly devoid of visions, then in principle the answer to this question is affirmative. On the other hand, vogues tend to be short-lived. They change their garb, and with this their respective conceptions. It may therefore be preferable to describe the division of roles in another way. If Keynes had had to choose between becoming a priest or a dentist, he would have chosen the apolitical dental profession, which leaves Marx in the role of a priest. One role still has to be filled: the role of Sisyphus – one robbed of all visions, disillusioned, forever working away at the system. Minsky would be ideally cast in this particular role.

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